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SUBJECT: SCENESETTER FOR CODEL BAIRD'S VISIT TO JORDAN

¶1. (SBU) Summary: Embassy Amman welcomes the May 15-18 visit to Jordan of CODEL Baird. In line with the CODEL's request, we have arranged a meeting with His Excellency Eng. Nasser Lozi, Chief of the Royal Hashemite Court, and advisor to King Abdullah II. Since your last visit in February, His Majesty King Abdullah II had a lengthy and domestically well-received visit to Washington. End Summary.

Foreign Policy

¶2. (SBU) King Abdullah remains focused on the Israeli-Palestinian dispute. He has publicly stated that the lack of progress in resolving this issue is the greatest threat to stability in the region, and has responded positively to his engagements with SE Mitchell. The King remains a strong advocate of a two-state solution to the Israeli-Palestinian problem and supports Palestinian Authority President Mahmoud Abbas, whom he considers the legitimate representative of Palestinians in both the Gaza Strip and the West Bank. Jordanian officials consistently express concern that Jordan will be asked to assume a degree of guardianship of the West Bank, which the late King Hussein formally abandoned in 1988.

¶3. (SBU) Following his recent visit to Washington, the King met with the leaders of Saudi Arabia, Egypt, Syria, and the Palestinians to give them a readout of his discussions and gauge their views on peace. In those meetings, the King delivered consistent messages about the need for active and concrete Arab engagement on the issue, as well as the need for Arab states to support the formation of a Palestinian government which can serve as a partner for peace. Your visit to Amman comes on the heels of a May 14 trip to Amman by Israeli PM Netanyahu in which the two leaders discussed Middle East peace in advance of Netanyahu's visit to Washington.

¶4. (SBU) King Abdullah has supported U.S. goals in Iraq, and frequently talks about his belief that Iraq is firmly on a "long, slow crawl towards the light." The King became the first Arab head of state to visit Iraq since the fall of Saddam Hussein, and Jordan has named an Ambassador to Baghdad, who largely remains in Jordan pending the completion of the Embassy building. Jordan has also agreed to send a Defense Attache at the senior level to Baghdad in the near future. PM Dahabi is expected to make his first trip to Iraq soon.

Jordan's Engagement with the USG

¶5. (SBU) Jordan maintains a close relationship with the USG and benefits from significant strong bilateral military and foreign assistance programs. As in the past, Jordan has again requested supplemental aid, in part to help the country cope with the affects of the global economic downturn during the political reform process. Jordan received USD 561.4 million

in non-military aid in 2008, an increase of 120 percent over 2007, making Jordanians some of the highest per-capita recipients of foreign assistance. A non-binding Memorandum of Understanding signed in September 2008 outlined U.S. support over the next five years proposing USD 360 million per year in Economic Support Funds (ESF) and USD 300 million per year in Foreign Military Financing (FMF). Additionally, Jordan recently requested USD 300 million in 2009 supplemental ESF funds and USD 200 million in supplemental FMF through the Ministry of Planning and Cooperation and the Jordanian Armed Forces (JAF), respectively.

The Economy

16. (SBU) With a per capita gross domestic product (GDP) of about \$3,000 and a population of nearly six million, Jordan has one of the smallest economies in the region. The country imports 95 percent of its energy and food needs. The U.S. continues to be one of Jordan's leading trade partners thanks to U.S.-Jordan Free Trade Agreement (FTA), which entered into force in 2001 and takes full effect in 2010, and the Qualifying Industrial Zones (QIZs) which allow duty and quota free access to the U.S. for goods that meet certain rules of origin including Israeli content. Jordan has seen real GDP growth average around 6 percent in recent years, but that growth is expected to slow in 2009 due to the impact of the global financial crisis. The Government of Jordan (GOJ) projects the following:

-- Export growth will drop from 38 percent in 2008 to -3 percent in 2009

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-- Government revenue will be reduced 7 percent by \$500 million in 2009

-- Tourism growth will drop from 16 percent in 2008 to -2 percent in 2009

-- Unemployment will rise to 15 percent

-- Remittances from abroad will decline significantly (remittances were valued at 19 percent of GDP in 2007).

Demographics

17. (SBU) Jordan's population of approximately 6 million is split primarily between East-Bank Jordanians and Palestinian-origin Jordanians and their descendants who arrived in Jordan in 1948 after the first Arab-Israeli war and in 1967, following Israel's occupation of the then-Jordanian West Bank. There are approximately 1.9 million UNRWA-registered refugees inside Jordan (some of whom live in 13 designated refugee camps). Unofficial estimates put the total Palestinian-origin population as a slight majority of the population. Many Palestinian-origin Jordanians (including most of the registered refugees) hold Jordanian citizenship, are integrated into Jordanian society, and lead the business sector.

18. (SBU) Jordan also hosts numerous Iraqis who have fled the conflict and its after-effects and has made some efforts to extend access to social services to them. The GOJ is reluctant to formally classify the Iraqis as refugees, because of concerns that a new permanent refugee populace in Jordan would further erode the demographic position of East Bankers. The GOJ emphasizes that hosting the Iraqis has been a burden on the budget, and seeks international aid to ease their already tight fiscal situation. USD 200 million of Jordan's FY 2008 economic assistance supplemental was intended to aid the displaced Iraqis in Jordan. Jordanian officials have typically put the number of Iraqi refugees between 450,000 and 500,000; however, estimates from some

organizations working with the refugees are significantly lower.

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